GS230-2 11/17/82

SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

SEPTEMBER 24, 1982

# Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

## California called crucial to anti-deposit efforts

By John Norton
Midwest Editor

LOS ANGELES, CA—With New York tucked safely under the bottle bill proponents belts, the conquest of California is now in the offing with Proposition 11, the November "anti-litter" initiative that would require a 5-cent minimum deposit on every beer and soft drink can or bottle sold in this state of 24 million people.

Many fear that if such action is passed in California, the largest beverage market in the country, it could trigger a nationwide trend that could result in a federal law requiring deposits on all beverage containers. To date, six states have similar "bottle laws" (Oregon, Iowa, Maine, Connecticut, Michigan and Vermont), while three others (New York, Massachusetts and Delaware) have laws pending.

Gilbert Moore, spokesman for Californians for Sensible Laws, said, "This trend has to be stopped here in California—this is a crucial state." Echoing Moore's statement through action are companies

*(Continued on page 12)*

## ATF seeks input on wine labeling

WASHINGTON, DC—The Bureau of Alcohol, Tobacco and Firearms (ATF) wants input from the wine industry on whether to propose a standard of identity for reconstituted wine or low alcohol wine.

"The Bureau seeks comment on whether it is 'good commercial practice' to restore the volume of water lost in the processing of low alcohol wine by thin-film evaporation of standard wine under

*(Continued on page 26)*

## Improved aerodynamics, diesel fuel featured on new '83 model trucks

SPECIAL REPORT—Truck makers and their component suppliers have a remarkable number of new and improved products with which to get their customers' attention as the 1983 model year gets under way.

That's a bit of a surprise in view of the fact that the producers have been hard hit by the business recession. Sales slumps and reduced budgets have made some major changes in the way the truck industry operates. For instance, there are precious few cosmetic changes made in trucks merely to improve their appearance.

But on other matters with real bottom-line importance, the manufacturers have found the money to deliver some solid value items for 1983. By way of assuring those who grapple with truck problems every day, it can be pointed out that reduced fuel consumption is the dominant trend in new truck products for 1983. That's important with fuel prices on the rise again.

An ever-growing swing to wide availability of fuel-saving diesel power is the biggie in the fuel cost-curbing arena. Improved aerodynamics in truck styling to reduce wind drag and save fuel is just about as important.

In other developments, there

*(Continued on page 28)*

## BI Package of the Week

## New Contour-Pak offers low cost 12-pack option

TOLEDO, OH — The Easy Dozen Contour-Pak carrier for 10 oz. Plasti-Shield bottles is Owens-Illinois' answer to bottlers investigating higher-multiple package options.

"This is a natural extension of our Contour-Pak concept for single service soft drink bottles," said William Niehous, vp—plastic products div. and general manager of multi-pak operations.

Easy Dozen is also a natural competitor to 12-pack paper-

*(Continued on page 14)*

## Interbrand Act could halt transshipping

WASHINGTON, DC—Transshipping malt beverages hinders interbrand competition by encouraging statewide distribution systems. The Malt Beverage Interbrand Competition Act (HR. 3269, S. 1215) is the best way to avoid this, the United States Brewers Association contends.

*(Continued on page 6)*

## BI Week

**• FDA approval of PET for liquors may have hit a snag. The National Resources Defense Council has asked that the agency "err, if at all, on the side of safety," and discourage the use of PET for liquor "and other beverages" until the safety of the materials is conclusively established. The multiple page document discusses numerous studies concerning lung tumors in experimental mice.**

**• Ft. Collins, CO, will be the site of an Anheuser-Busch plant "if the company decides to build a new brewery in the area." The announcement from Tom Aldrich followed passage of favorable legislation by**

*(Continued on page 27)*

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# Crush updated SD line uses brighter graphics

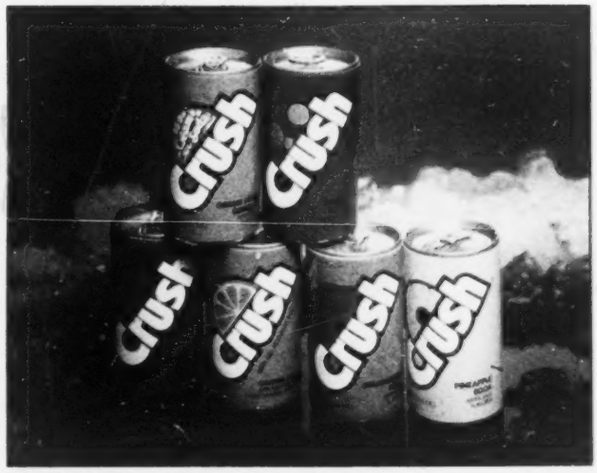
CINCINNATI, OH—Crush International, a subsidiary of Procter and Gamble Co., has redesigned the package graphics for Orange Crush and the rest of the Crush beverage line.

Deskey Associates Inc., a New York design firm, is responsible for Crush's new look.

The graphics are more contemporary, using brighter colors and a bolder "Crush" typeface positioned diagonally across the can, explained a company spokesman. A piece of fruit representing the soft drinks' flavor rests atop the "Crush" logo. "We feel it will heighten shelf impact, and be more appealing to the consumer," the spokesman said. Labels for 2-L PET bottles will be identical to the can graphics. The only change comes on the glass bottles, where the fruit above the logo has been omitted, to allow the use of any bottle for each different flavor.

Timing of the national roll-out will vary from market to market. The new packages will eventually hit the store shelves as product supplies are re-newed.

Along with the new graphics, testing has been going on for a more orangey-tasting flavor for Orange Crush. The testing started in mid-July for the improved flavor. Presently, the time frame for its introduction is not known. When it does arrive on the market, however, all packages will carry the "new and improved" tag.



New Crush cans show graphic redesign.

The product graphics are not aimed at any specific market segment, says the firm, but, like the product itself are marketed to all consumers. "That's why children are used for our commercials," said a spokesman, "because of their universal appeal."

The last graphic change for the Crush soft drink line was in 1972.

# A-B to build $4.8 mil. facility in Denver

DENVER, CO — Anheuser-Busch, Inc. in Denver is spending $4.8 million on a new 173,000 sq. ft. office and warehouse facility here.

The new facility, to be operated by the company's Wholesale Operations Division, will be located on a 13.4-acre site. It replaces a wholesale operation that Anheuser-Busch has outgrown at 5180 Fox Street in Denver.

Structural work began in August, with completion scheduled for the spring of 1983.

"The new sales and warehouse facility will contain more than double the space of our present wholesale operation," said Michael M. Mitch-

*(Continued on page 8)*

# Bev. vendors increase while other units lag

CHICAGO, IL—The number of beverage vending machines shipped increased to 207,536 in 1981, up from 198,561 in '80. It provided the one bright spot in vending shipments, according to the National Automatic Merchandising Association (NAMA).

Shipments of can and bottle soft drink machines achieved major increases. Bottle venders reached 76,937 units, up from 66,663 in 1980, and the total for can soft drink units was 96,180 compared with 94,814 in 1980.

Dollar value of vending machine shipments for the entire vending industry increased to $350,473,000 in 1981, the second highest total in history, but net profits of vending companies (before taxes) rose only slightly, to 3.7% of sales in '81 from 3.2% the year before.

Though manufacturers shipments in terms of dollars were up from '80 and '79, higher machine prices, not increased shipments, were the reason. The actual number of machines dropped in 1981 to 504,841 units from 516,858 in '80.

Profit before interest and

*(Continued on page 32)*

**Analysis of gross profit and sales statistics by product**

| | Composition of sales at retail | | | Average sales per machine | | |
|---|---|---|---|---|---|---|
| | 1981 | 1980 | 1979 | 1981 | 1980 | 1979 |
| Cigarettes | 11.4% | 10.9% | 12.2% | $2,800 | $2,674 | $2,582 |
| Candy, nuts, gum | 7.9 | 7.3 | 7.9 | 2,975 | 2,713 | 2,478 |
| Cold cup beverages | 8.3 | 7.5 | 7.5 | 4,605 | 4,465 | 3,842 |
| Hot cup beverages | 10.6 | 10.2 | 11.0 | 4,093 | 4,034 | 4,045 |
| Ice cream | .3 | .3 | .3 | 1,456 | 1,604 | 1,339 |
| Milk | 2.8 | 2.8 | 3.3 | 3,404 | 3,474 | 3,403 |
| Sandwiches, salads, entrees | 5.0 | 4.9 | 5.4 | 4,212 | 4,178 | 4,275 |
| Pastry and snacks | 8.0 | 7.0 | 6.6 | 3,417 | 3,228 | 3,015 |
| Hot canned soups & food | .9 | 1.1 | 1.3 | 1,693 | 1,849 | 1,660 |
| Bottled and canned drinks | 6.2 | 5.4 | 5.0 | 5,566 | 5,350 | 5,670 |
| Misc. vending machine products | 3.8 | 3.0 | 3.3 | — | — | — |
| Total or averages for above | 65.2% | 60.4% | 63.8% | $3,688 | $3,502 | $3,266 |
| Sales other than through machines | 34.8 | 39.6 | 36.2 | | | |
| Total sales | 100.0% | 100.0% | 100.0% | | | |

Source: NAMA

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# Detroit Coke undertakes $5 mil. revamp project

DETROIT, MI—The Coca-Cola Bottlers of Detroit, Inc., will invest more than $5 million as part of a three-year revitalization project, according to Stu Giller, president.

Coke's three pronged project will result in the installation of a new .5-L PET bottling line, adding to and refurbishing its truck fleet, and the construction of a 43,000 sq. ft. distribution center/warehouse/parking area.

"The project is in keeping with the Coca-Cola re-franchising program that is designed to bring more aggressive, committed ownership to major markets like Detroit," says Brian G. Dyson, president, Coca-Cola USA. Revitalizing Coke Detroit will also, according to the company, increase the availability of products to consumers as well as lend a hand to the ailing Detroit economy. Over 100 new jobs will be created.

Funds from both the public and private sectors are being used to finance the project. Private sector investment will total $2.5 million, while public funds will be obtained through a $2.3 million bond issue and a $625,000 urban de-

*(Continued on page 24)*

# Davis retires from Liberty

SAPULPA, OK — Maurice Davis is retiring from his position as vice president, marketing with Liberty Glass Co. after 45 years with the firm.

Davis's career with the company has covered more than half of Liberty's existance. "He has been a major part of the success and growth of Liberty from a small glass manufacturing organization to a large, successful and profitable major supplier covering 35 of 48 continental states," commented Wills M. Young, vice president sales and marketing, general sales manager.

Davis will continue to work closely with Liberty and plans to attend many of the state soft drink functions.

# Contents

## The bottle bill and California

Will California be next? That question, in relation to mandatory deposits, is what opponents and proponents alike have been asking. The vote on Proposition 11, California's "anti-litter" initiative, is forthcoming in November. As has always been the case before, there are many arguments on both sides of the issue. There will also be a considerable amount of money spent in trying to sway public opinion. The recent passing of a 'bottle bill' in New York state has only served to increase speculation and add significance to the California initiative. Is California a crucial state? For more information on the subject, turn to **page 1.**

## Beverage vendors rise in 1981

Beverage vending machine shipments rose in 1981, and soft drink machines experienced major increases, accounting for most of the upswing in the beverage category, according to the National Automatic Merchandising Association (NAMA). But the strength of the beverage vendors did not carry over to the rest of the vending machine industry. The actual number of machines shipped dropped in 1981, and profits were up only slightly, due to increased prices. For more facts and figures on vending machine shipments, see **page 4.**

## Soft drinks, beer to rise for '82

When all the figures are counted, 1982 is expected to have been another year of growth for the beer and soft drink industries. So says Joseph Doyle, market analyst with Smith Barney Harris Upham & Co. U.S. consumption of soft drinks should reach 4.14 billion cases, or a 3.6% rise from 1981. Beer is expected to be up about 2.0%. While the soft drink industry is still considered to be "recession proof," the current economic slump could figure more prominently in the beer industry. To read more of this expert analyst's predictions for the future of the industry see **page 26.**


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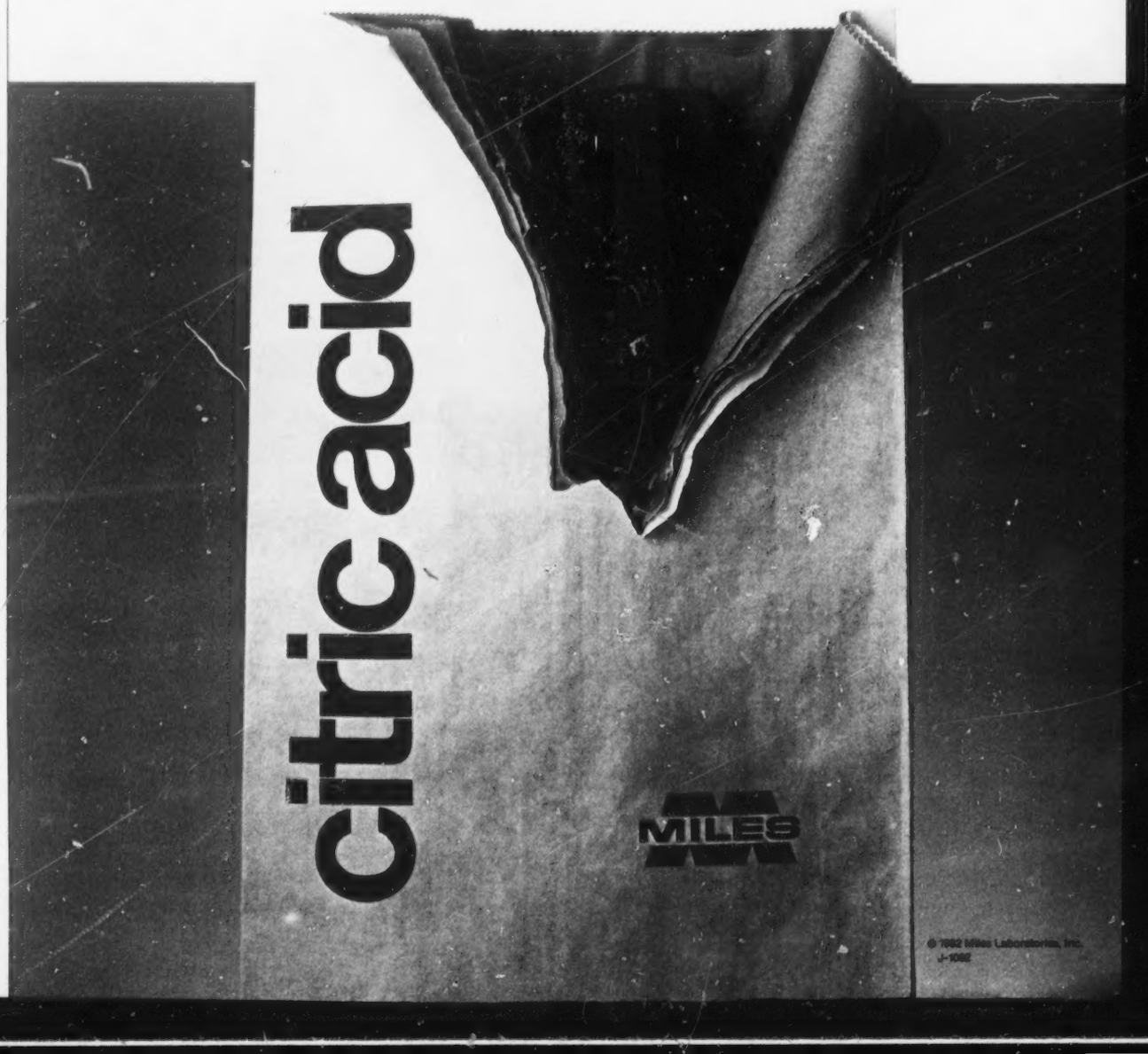


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# SD, beer sales growing despite slack economy

SPECIAL REPORT—For 1982, U.S. soft drink consumption should reach 1.14 billion cases (24, 12 oz. units), or 3.6% above 1981. Beer consumption should rise 2.0% this year, according to Joseph Doyle, market analyst with Smith Barney Harris Upham & Co.

The soft drink volume increase projected for '82 compares with a 3.2% advance last year. Doyle says that 4% to 4.5% annual growth is "normal" for the industry; his '82 volume prediction fits into that range, despite a slack economy, meaning that the soft drink industry tends to resist recessionary periods. Doyle also expects normal annual growth for the next five years.

Beer consumption, on the other hand, is feeling the full impact of the recession and high unemployment. This year's projected 2.0% volume increase is off from '81's 2.8% gain. But, Doyle says 1983 could see a resumption of normal growth, which he views as 3% -3.5% in a nonrecessionary year.

Beer volume is strongest in the Southeast and South Central regions, weakest in the East North Central and West North Central. Heileman and Pabst get much of their business from the weaker parts of the country. This has slowed Heileman's growth and worsened Pabst's troubles, according to Doyle.

Volume in the Northeast is also soft. The Mountain and Pacific regions were strong in '81, but the Pacific region is showing signs of softening. Anheuser-Busch, with 40% of the Pacific region due to its 15% share of California, is seeing volume there drop to below A-B's national trend. A sales slump in the Pacific region is especially damaging, though, to Olympia and Coors.

Doyle says that although overall beer industry volume doesn't fluctuate too much, even during serious recessions, volume and market share trends of individual brewers can jump around quite a bit. For the past five years, and for the next several, the direction of the beer market has been easy to remember: A-B, Miller and Heileman up, everyone else down.

### A-B growth

The 'Brewers' share of market' table shows that during the past three years, A-B has gained about one and a half share points per year. A-B is expected by Doyle to reach 31.7% of the market this year, picking up almost two points. Doyle thinks that rate will slow to about a point per year to 1985, although total industry volume could, he says, increase at 4% per year, or slightly above normal. A-B's volume growth '81 to '85 should be at least 7%, or twice the industry's rate.

Miller and Heileman are the only other brewers to have consistently gained market share over the past several years. Miller, Doyle says, should pick up about one share point this year, as it did in '81. Reflecting a regional mix, Heileman's growth has slowed somewhat last year and this. While Doyle thinks Heileman will gain market share in the future, he finds it hard to predict the rate of gain. Doyle assumes Heileman can get a better share of the Southern tier, but he doesn't know how it will get capacity there.

The table also shows that Schlitz, Pabst, Coors, Stroh's-Schaefer, Olympia and the "all others" category have been steadily losing market share. Doyle assumes this will continue, although merger and acquisition activity in the industry makes it difficult to forecast.

Meanwhile, soft drink industry leaders, Coke and Pepsi, remain aggressive; number four Seven-Up has switched to a marketing campaign focusing on the caffeine-free aspect of the flagship brand. These three companies appear to be gaining market share at the expense of almost everyone else.

Doyle believes that Coke's domestic volume will increase between 1% and 1.5% in '82. PepsiCo, he thinks, will see about a 5% increase. Seven-Up should also be up at least 5% this year in a reversal of its steady market share erosion. Seven-Up's no-caffeine strategy is working, according to Doyle.

**Top brewers' share of market, 1965-1985E**

| % Market share | 1965 | 1975 | 1978 | 1979 | 1980 | 1981 | 1982E | 1985E |
|---|---|---|---|---|---|---|---|---|
| Anheuser-Busch | 11.7% | 23.4% | 25.1% | 26.8% | 28.2% | 29.8% | 31.7% | 34.0% |
| Miller | 3.7 | 8.6 | 18.9 | 20.7 | 21.0 | 22.0 | 23.1 | 24.5 |
| Heileman | 1.0 | 3.0 | 4.3 | 6.5 | 7.5 | 7.7 | 7.9 | 8.8 |
| Schlitz | 8.5 | 15.5 | 11.8 | 9.7 | 8.4 | 7.8 | 7.5 | 7.1 |
| Stroh's-Schaefer | — | 7.3 | 6.2 | 5.6 | 5.5 | 5.0 | 4.9 | 5.3 |
| Pabst | 8.1 | 10.4 | 9.3 | 8.7 | 8.5 | 7.4 | 6.7 | 5.5 |
| Coors | 3.6 | 7.9 | 7.6 | 7.5 | 7.8 | 7.3 | 7.3 | 7.1 |
| Olympia | — | 4.4 | 4.0 | 3.5 | 3.4 | 3.1 | 2.9 | 2.5 |
| All Others | 63.4 | 19.4 | 12.8 | 10.9 | 9.7 | 9.9 | 8.0 | 5.2 |
| A-B and Miller | 15.4 | 32.0 | 44.0 | 47.5 | 49.2 | 51.9 | 54.8 | 58.5 |

E—Estimated by SBHU

Note: Stroh's and Schaefer historical data are combined even though these companies were separate until 1980. Stroh's acquired Schlitz in June 1982, but we show the data separately.

Source: Company reports compiled by SBHU

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**Top soft drink companies' share of market 1968-1983E**

| Market share | 1968 | 1975 | 1979 | 1980 | 1981 | 1982E | 1983E |
|---|---|---|---|---|---|---|---|
| Cola-Cola | 34.4 | 34.8 | 34.6 | 34.9 | 34.9 | 35.1 | 35.2 |
| Pepsico. | 22.1 | 22.1 | 24.6 | 24.7 | 25.4 | 25.7 | 26.0 |
| Dr Pepper | 3.5 | 5.9 | 6.7 | 6.8 | 6.8 | 6.8 | 6.9 |
| Canada Dry | 3.7 | 3.5 | 2.9 | 2.8 | 2.8 | 2.8 | 2.9 |
| Seven-Up | 7.7 | 8.4 | 7.0 | 6.7 | 6.4 | 6.6 | 6.8 |
| Royal Crown | 7.2 | 5.7 | 4.5 | 4.4 | 4.2 | 4.0 | 4.0 |
| Crush | 2.7 | 3.3 | 3.7 | 3.7 | 3.7 | 3.8 | 3.9 |
| All Others | 18.8 | 16.9 | 16.1 | 16.0 | 16.0 | 15.2 | 14.3 |

E—estimates by SBHU.

Note: All data compiled by SBHU. Dr Pepper and Canada Dry merged in early 1982, but their data is shown separately.

Source: SBHU

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## Who's bought whom?

If you've had trouble this year keeping up with merger and acquisition activity in the soft drink and beer industries, you're not alone. Here's a rundown of the major deals so far (mid-August) in 1982:

- Dr Pepper bought Canada Dry for about $150 million;
- Stroh bought Schlitz for about $500 million;
- Coca-Cola bought Columbia Pictures for about $750 million.

Deals that didn't go through include:

- Coke was going to buy Outlet Co., which Columbia Pictures was in the process of acquiring;
- The Justice Department scrapped Heileman's plan to buy Pabst;
- Schmidt's planned purchase of Pabst seems dead;
- Pabst's planned purchase of Pittsburgh Brewing has fallen through.

## ATF

*(Continued from page 1)*

reduced pressure," ATF says. "For example, should the addition of water be limited to the volume of water lost in processing?"

Reconstituted wine is actually an unexpected result of wine-making process approved by ATF during the past year, according to the regulators.

"The processing involves reducing standard wine either 1) to a minimum alcohol content of 7% by volume for bottling purposes or 2) to a minimum alcohol content of 1.4% by volume and blending with other standard wine to produce wine having an alcohol content of 7% to 9% by volume," they explain.

"Both processes result in a partial loss of wine due to heat evaporation since a portion of the alcohol, water and volatile compounds in the wine is vaporized. However, the original requests for approval of the use of this technology did not address the reconstitution of the low alcohol wine."

### labeling

If ATF decides reconstitution does represent "good commercial practice," it also wants to know whether the product should be labeled "reconstituted wine" and/or whether the volume water used in the reformulation should be declared.

Comments should be filed by Sept. 27 with the Chief, Regulations and Procedures Division, ATF, P.O. Box 385, Washington, D.C. 20044-0385, or for further information telephone Michael J. Breen at (202) 566-7532.

## Paul Masson

*(Continued from page 25)*

- Phase III: A production line trial of 2,000 to 10,000 cases.
- Phase IV: Approval for conversion after passing stacking tests of one month for filled bottles of two months for empty bottles.

So far, the company has converted all 750 ml sizes, excluding champagne, as well as 1-L vermouth bottles. Winery-sealed carafes, which represent a large segment of Paul Masson's business, under extensive testing at presstime.

- For more information on **Clevepak,** circle no. 282 on reader service card.

## Profit analysis for 1981

(based on reported sales volume categories)

| | Less Than $750,000 | $750,000 to $1,999,999 | $2,000,000 to $9,999,999 | $10,000,000 or more |
|---|---|---|---|---|
| **Sales at retail** | 100.0% | 100.0% | 100.0% | 100.0% |
| **Cost of sales** | 50.1 | 48.0 | 49.3 | 45.7 |
| **Total operating expenses** | 46.9 | 48.7 | 47.7 | 52.7 |
| **Operating profit** | **3.0%** | **3.3%** | **3.0%** | **1.6%** |
| **Less interest expense** | 1.6 | 1.0 | 1.4 | .1 |
| **Other income or charges (net)** | 1.4 | 1.3 | .6 | 2.5 |
| **Profit before income taxes** | **2.8%** | **3.6%** | **2.2%** | **4.0%** |

Source: NAMA

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## Composite average of all operators reporting related data

| | 1981 | 1980 | 1979 |
|---|---|---|---|
| **Sales at Retail** | 100.0% | 100.0% | 100.0% |
| **Cost of Sales** | 46.3 | 45.5 | 46.2 |
| **Gross profit** | **53.7%** | **54.5%** | **53.8%** |
| **Total Operating Expenses** | 51.9 | 52.4 | 50.1 |
| **Operating profit** | 1.8% | 2.1% | 3.7% |
| **Other Income** | 1.9 | 1.1 | 1.2 |
| **Profit before income taxes** | **3.7%** | **3.2%** | **4.9%** |

Source: NAMA

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## Operating Expenses

(as a percentage of sales)

| | | | |
|---|---|---|---|
| **Salaries, commissions to route personnel and location attendants** | 10.5% | 11.5% | 10.6% |
| **Salaries, wages to machine maintenance personnel** | 2.8 | 2.7 | 2.8 |
| **Salaries, wages to supervisory personnel** | 2.4 | * | * |
| **All other salaries, wages, etc.** | 8.5** | 10.2** | 9.8** |
| **Total Payroll** | **24.2%** | **24.4%** | **23.2%** |
| **Maintenance cost of vending machines** | 1.2 | 1.2 | 1.2 |
| **Location rental payments (commissions)** | 7.1 | 7.1 | 7.6 |
| **Depreciation or rental for vending machines** | 4.2 | 4.0 | 4.0 |
| **Other depreciation (except buildings)** | 1.3 | 1.4 | 1.1 |
| **Truck and automobile expense** | 2.1 | 2.0 | 1.7 |
| **Sales tax** | 3.0 | 2.9 | 2.9 |
| **Taxes, other than sales, federal and state income taxes** | .5 | .5 | .5 |
| **Insurance, all types** | .4 | .5 | .5 |
| **Building and garage rental or expense** | .7 | .7 | .7 |
| **Corporate overhead expense** | 2.5 | 1.9 | 2.2 |
| **All other expenses** | 4.7 | 5.8 | 4.5 |
| **Total operating expenses** | **51.9%** | **52.4%** | **50.1%** |

*Included in "All other salaries, wages, etc." in 1980, 1979.
**Includes fringe benefits and payroll taxes.

Source: NAMA

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## Vending

*(Continued from page 4)*

income taxes as a percent of assets averaged 11.6%, up from 10.7% in 1980, but was still "far below what a technologically oriented industry needs for growth," commented G. Richard Schreiber, president of NAMA. "The effects of the recession and high interest rates are evident in that profits from operations dropped from 2.1% in 1980 to 1.8% in '81 and interest expenses of smaller companies amounted to 1.4% of sales," explained Schreiber. For those with sales of more than $10 million, interest expense represented 0.1% of sales.

The most favorable margins were achieved by companies having sales of $10 million or more (at 4.0%) and by those with sales from $750,000 to $2 million (3.6%), while companies with sales from $2 mil. to $10 mil. netted 2.2% before taxes. The ratio of companies with under $750,000 in sales came to an average of 2.8% before taxes.

Pre-tax profits for "manual" (non-vending) sales averaged 1.7% for the 31 firms reporting results in that category, down from 2.2% in 1980. Total "manual" sales amounted to $481 million.

## Pure-Pak

*(Continued from page 7)*

chine. Molded covers are durable, requiring no special care. The machine stops automatically when the doors are opened or when the stop bar is contacted. Water-cooled aluminum mandrels cool cartons during sealing. The lightweight aluminum lessens the load on the drive and is coated to resist corrosion and abrasion.

The Pure-Pak model 235 can form, fill and seal up to 3,000 liters or quarts and fractional sizes per hour. Measuring in at only 40 sq. feet, the machine can change carton size in less than five minutes.

The Pure-Pak model 240 is capable of filling cartons ranging in size from half-pint to quart at 5,000 per hour. Utilizing the same space as the model 235, this unit, as do all the Pacesetter machines, features selective heating of carton tops and bottoms minimizing gas consumption.

Filling as many as 10,000 cartons per hour, the Pure-Pak model 245 fills cartons from 8 ounces to 1 quart in size while taking up only 56 square feet in space.

The Pure-Pak half-gallon machine fills and seals up to 2,700 2-L cartons per hour while occupying only 40 square feet of floor space.

● For more information on **Pure-Pak**, circle no. 283 on reader service card.


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Consumers love it because it's so easy to handle and open.

And since the Roll-On closure is preferred by consumers, retailers love it, too. Products move off their shelves fast. And there's nothing retailers like better.

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# Beverage Business Indicators

## Glass container shipments

(thousands of gross)
(not seasonally adjusted)

| | Feb. '82 | March '82 | % change |
|---|---|---|---|
| Bottles | 22,714 | 27,406 | 20.7 |
| Beverage: | | | |
| refillable | 269 | 386 | 43.5 |
| nonrefillable | 3,758 | 4,964 | 32.1 |
| under 10 oz. | 64 | 97 | 51.6 |
| 10.0 to 15.9 oz | 1,239 | 1,586 | 28.0 |
| 16.0 to 16.9 oz (includes .5-L) | 2,233 | 2,913 | 30.5 |
| 17.0 to 33.9 oz (includes 1-L) | 222 | 368 | 65.8 |
| 34.0 oz. and over (includes 2-L) | — | — | — |
| Beer: | | | |
| refillable | 270 | 384 | 42.2 |
| nonrefillable | 7,757 | 9,119 | 17.5 |
| under 11 oz | 1,305 | 1,426 | 9.3 |
| 11.0 to 15.9 oz | 5,883 | 7,150 | 21.5 |
| 16.0 and over | 569 | 543 | 4.6 |
| Liquor: | 916 | 1,157 | 26.3 |
| Under 125 ml (4.23 oz and under) | 87 | 103 | 18.4 |
| 126 to 275 ml (4.24 to 9.3 oz) | 194 | 280 | 44.3 |
| 276 to 500 ml (9.31 to 16.9 oz) | 120 | 137 | 14.2 |
| 501 to 800 ml (16.91 to 27.04 oz) | 204 | 240 | 17.6 |
| 801 to 1000 ml (27.05 to 33.80 oz) | 190 | 248 | 30.5 |
| 1001 ml and over | 121 | 149 | 23.1 |
| Wine: | 596 | 736 | 23.5 |
| 126 to 500 ml (4.24 to 16.9 oz) | 93 | 132 | 41.9 |
| 501 to 800 ml (16.91 to 27.04 oz) | 288 | 330 | 14.6 |
| 801 to 1000 ml (27.05 to 33.8 oz) | 11 | 15 | 36.4 |
| 1001 to 1600 ml (33.81 to 54.08 oz) | 122 | 141 | 15.6 |
| Over 1600 ml (over 54.08 oz) | 82 | 118 | 43.9 |

Source: U.S. Dept. of Commerce
Bureau of the Census

## Closures for beverages

| | March '82 | April '82 | % change |
|---|---|---|---|
| Metal (for spirits, wines) | 44,682 | 60,613 | 35.7 |
| Plastic (for spirits, wines) | 139,456 | 141,425 | 1.4 |
| Metal crowns (beer and soft drinks) | 21,953 | 21,254 | (3.2) |
| Soft drink (convenience types) | 2,205 | 1,871 | (15.1) |
| Soft drink (conventional types) | 6,523 | 5,628 | (13.7) |
| Beer (convenience types) | 10,292 | 10,382 | 0.8 |
| Beer (conventional types) | 2 888 | 3,373 | 16.7 |
| All other metal closures other than crowns | **7,053** | **6,024** | **(14.6)** |

Source: U.S. Dept. of Commerce
Bureau of the Census

## Imported beverages

(Proof gals)

| | April '82 | May '82 | % change |
|---|---|---|---|
| Beer* | 13,086,224 | 16,292,050 | 24.5 |
| Whiskey | 5,914,454 | 6,882,811 | 16.4 |
| Brandy | 389,682 | 486,033 | 24.7 |
| Gin | 359,224 | 465,559 | 29.6 |
| Rum | 71,000 | 39,195 | (44.8) |
| Cordials and liqueurs | 683,136 | 610,560 | (10.6) |
| Others | 548,803 | 621,096 | (13.2) |
| **Total** | **21,052,523** | **25,397,304** | **20.6** |
| Sparkling wines | 524,089 | 674,600 | 28.7 |
| Still wines, table | 7,515,613 | 8,860,949 | 17.9 |
| Still wines, fortified | 173,870 | 180,388 | 3.7 |
| Vermouth | 249,767 | 174,003 | (30.3) |

* Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc.

## Selected Consumer Price Index

(The year 1967 equals 100)

| | Dec. '81 | Jan. '82 | % change |
|---|---|---|---|
| Cola | 295.7 | 302.4 | 2.3 |
| Other carbonated soft drinks | 137.2 | 141.9 | 3.4 |
| Noncarbonated drinks | 137.1 | 138.0 | 0.7 |
| Wine | 203.5 | 205.0 | 0.7 |
| Beer and ale | 238.0 | 232.2 | (2.4) |

## Sweetener data

| | Jan. '82 | Feb. '82 | % change |
|---|---|---|---|
| HFCS wholesale prices | | | |
| California | 16.90 | 16.90 | 0.0 |
| New York | 15.49 | 15.49 | 0.0 |
| Chicago-West | 14.08 | 14.08 | 0.0 |
| Beet sugar wholesale prices | — | — | — |
| Dextrose wholesale prices | | | |
| California | 28.64 | 28.64 | 0.0 |
| New York | 27.17 | 27.17 | 0.0 |
| Chicago-West | 27.17 | 27.17 | 0.0 |

Source: U.S. Dept. of Agriculture

## Domestic beer removals

(Barrels of 31 gals)

| | Jan. '82 | Feb. '82 | % change |
|---|---|---|---|
| Bottles and cans | 10,380,589 | 11,390,989 | 9.7 |
| Barrels and kegs | 1,523,023 | 1,521,652 | (0.1) |
| For export | 185,416 | 170,921 | (7.8) |
| Other | 21,985 | 15,670 | (28.7) |
| **Total** | **12,120,013** | **13,099,232** | **8.1** |

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

## Domestic wine removals

(Wine gals)

| | Jan. '82 | Feb. '82 | % change |
|---|---|---|---|
| Still wines (bulk) | 131,423 | 145,866 | 11.0 |
| Still wines (bottled) | 30,051,476 | 25,486,792 | (15.2) |
| Effervescent wines (bulk & bottled) | 1,266,034 | 1,114,879 | (11.9) |
| **Total** | **31,448,933** | **26,747,537** | **(14.9)** |

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

## Domestic spirits removals

(Wine gals)

| | Oct. '81 | Nov. '81 | % change |
|---|---|---|---|
| Whiskey | 17,910,638 | 14,501,709 | (19.0) |
| Brandy | 1,595,603 | 1,595,357 | (.02) |
| Rum | 2,347,808 | 1,748,800 | (25.5) |
| Gin | 2,970,727 | 2,759,005 | (7.1) |
| Vodka | 8,735,824 | 8,459,470 | (3.2) |
| Cordials and liqueurs | 3,548,523 | 2,978,954 | (16.1) |
| Cocktails and mixed drinks | 652,521 | 691,601 | 5.9 |
| **Total** | **37,761,644** | **32,734,896** | **(13.3)** |

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

## Blow-molded plastic bottle production

(thousands of units)

| | Feb. '82 | March '82 | % change |
|---|---|---|---|
| Plastic bottles (blow-molded) | 1,189,008 | 1,198,112 | .8 |
| Carbonated beverages | 157,031 | 172,758 | 10.0 |

Source: U.S. Dept. of Commerce
Bureau of the Census

Copyright: Beverage Industry, September 24, 1982

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SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

OCTOBER 8, 1982

# Beverage Industry

An HBJ PUBLICATION

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STATISTICAL OFF INDEX
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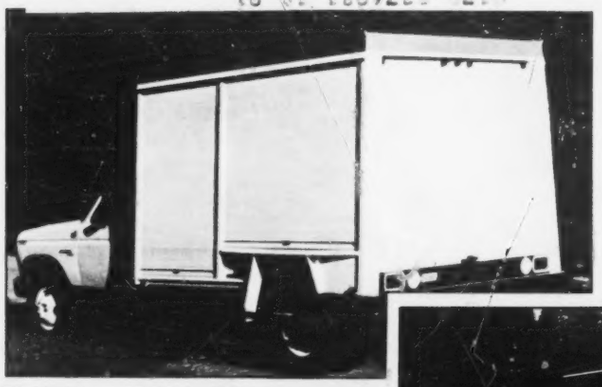

At left, Hesse's new design. Below, top: Swan's 12-bay Durango is ready to go, painted with Stroh's color specs. Below, bottom: Mickey's DSO modified aluminum 16-bay route trailer sports Seven-Up's colors. Below, far left: Rock Hill Body new 10-bay aluminum body has Pepsi's logo

## Truck body suppliers rollout new models for '83 selling season

SPECIAL REPORT—With the recent decline in interest rates and the threat of impending bottle bill legislation, the truck body industry may soon experience a flood of buyers prepared to turn this soft market into a torrent of activity.

In an industry that has had no significant increase in past years, this facet of the beverage market may now find its biggest worry in meeting production with demand.

Hodges Hackney, executive vice president, Hackney and Sons, reports that his firm is experiencing unprecedented orders for trailers and bodies. "What is heartening about it is that bottlers seem to be aware that supplies may get tight and they're placing the orders earlier," he comments. (See story, right, for a review of this firm's new trailer.)

William Chvala, executive vice president of Swan, Inc., said, "The year when the Michigan bottle bill went into effect we sold over 200 trail-

(Continued on page 13)

## Consumer poll: support for Delaney increasing

WASHINGTON, DC—After the saccharin controversy a few years back, you would think that consumers would favor the abolition of the Delaney clause, which sparked the potential removal of the artificial sweetener from the marketplace.

However, a significant percentage of the public thinks "the present law should be kept," claims the Roper organization, which conducted a recent poll, as well as one in 1977, on retention of that segment of the food safety laws.

Five years ago, only 27% of those polled felt Delaney should remain on the books, "Roper speculates that the concern with saccharin in 1977 may have prejudiced the public against the regulation at that time," the polling organization stated.

But as Congress attempts to overhaul its food safety laws, consumers see some validity to Delaney's rigidity and 48% now want the controversial clause to remain part of government regula-

(Continued on page 14)

## Hackney's new computer-aided trailer design

WASHINGTON, NC,—In recent years, Hackney and Sons, located here, have launched a program to build stronger, longer lasting beverage bodies. Part of the program involves stress testing to the point of destruction.

The first product of this program is the firm's newest unit, a delivery trailer which the firm calls the "Vision."

We really have been working on this concept for some 10 years," Hodges Hackney, executive vice president, told

(Continued on page 14)

Most changes in new Vision aren't visible to the eye.

## BI Week

**• A-B distributors, meeting in LA will hear details of new advertising, position for most major brands. Michelob reportedly due to get major packaging and advertising facelift. Distributors feel company will do something to blunt Miller's recent successes with Lowenbrau. Look for new packaging, graphics and scraping of the "weekend" brew concept.**

**• Diet Coke being ex-**

(Continued on page 53)

## New reverse vending units promote recycling

By Robert Kreutzer
Senior Editor

SPECIAL REPORT—It is estimated that 35% of all aluminum cans sold in the U.S. will never be recycled unless recycling can be made more convenient for the consumer. By using reverse vending machines, soft drink bottlers, beer wholesalers and beverage retailers can reap profits from this situation, while promoting voluntary community recycling.

The profit potential for owners/operators of reverse vending machines comes from the difference between what is redeemed to the consumer for each can recycled and what the owner/operator gets for recycling bulk aluminum. The bottler/wholesaler/retailer has to decide if the purchase price and maintenance of reverse vending machines is justified by the potential volume of recy-

(Continued on page 38)

## BI Package of the Week

Closures replace strip stamps on spirits.
See page 28.

# Contents

## Truck body supplies rollout new models

The truck body industry may soon have a big problem, but one that any industry would love to have: keeping up with demand. The reasons for the unprecedented interest in new truck body models for '83 are a recent decline in interest rates and an increasing threat of bottle bill legislation. For some views of '83 models, plus a full report on the expected boom in the market, see **page 1.**

## Reverse vending promotes recycling

A huge market in unrecycled aluminum cans has prompted the introduction of several reverse vending machines, which are designed to make recycling more convenient for the consumer as well as potentially profitable for the machines' operators. For a rundown on who makes what, and what it can do, see **page 1.**

## Mead's Gladiator POS aids bottlers, retailers

Mead Merchandising hopes to give bottlers an edge with its new Gladiator point-of-sale unit. Its extended canopy (the length of the aisle) can be imprinted with the brands logo and colors. Its biggest asset, says the company, is its flexibility. The Coca-Cola Bottling Co. of St. Louis has been using the unit since last year, installing them in 35 markets in the first quarter of '82 alone. To find out more about how both the bottler and retailer alike can benefit from this new product see **page 4.**

## Getting a handle on sorting problems

How can you get control of your sorting costs? The first thing you must do is to understand them, says Profit Management Development, Inc. Capacity, off-line sorting, and determining just how your sorting operation should be set up are all detailed in this report. If you're interested in learning more about to master your sorting operation, see **page 23.**

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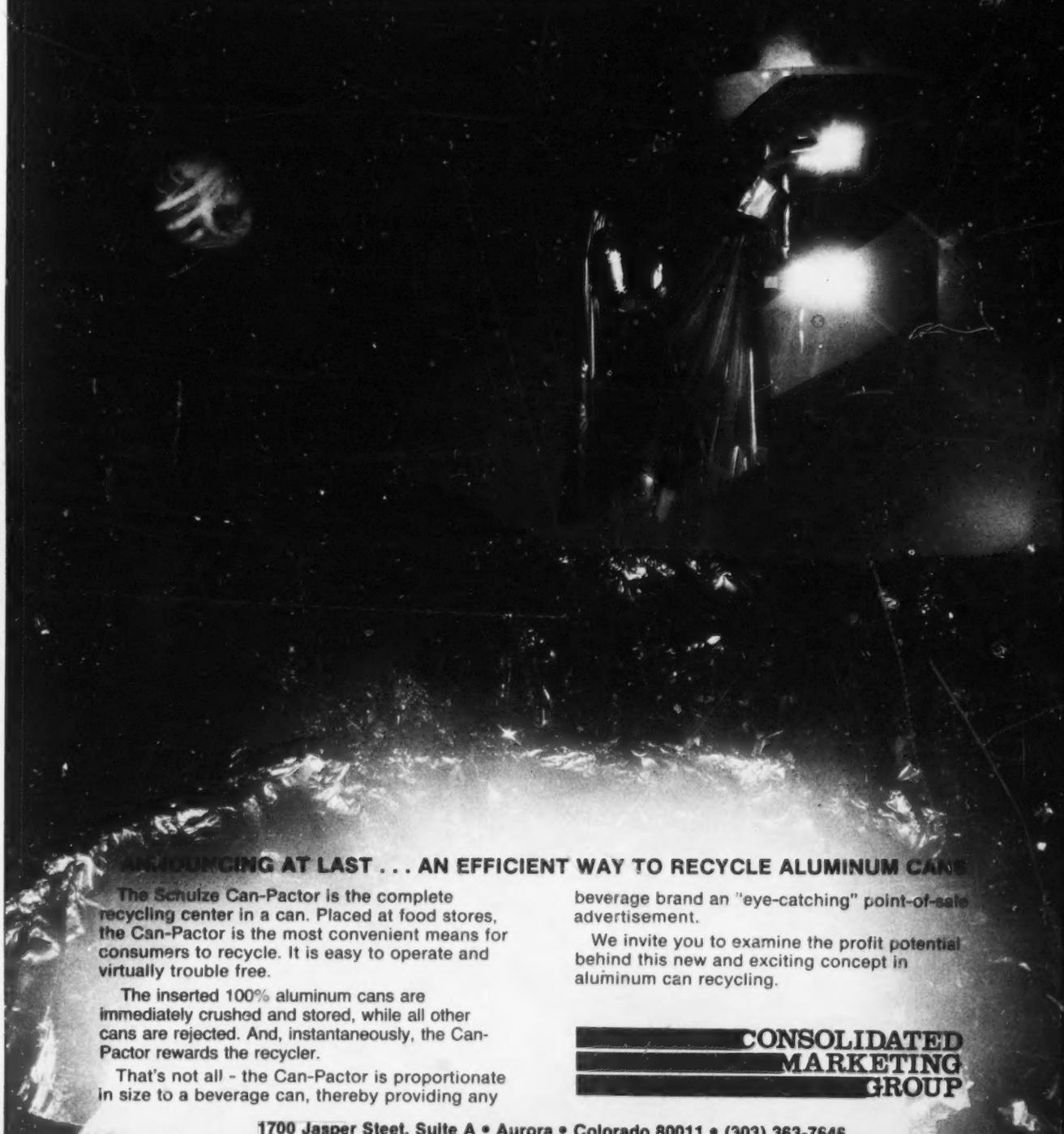
THE FUTURE OF ALUMINUM RECYCLING IS IN THE CAN



ANNOUNCING AT LAST . . . AN EFFICIENT WAY TO RECYCLE ALUMINUM CANS

The Schulze Can-Pactor is the complete recycling center in a can. Placed at food stores, the Can-Pactor is the most convenient means for consumers to recycle. It is easy to operate and virtually trouble free.

The inserted 100% aluminum cans are immediately crushed and stored, while all other cans are rejected. And, instantaneously, the Can-Pactor rewards the recycler.

That's not all - the Can-Pactor is proportionate in size to a beverage can, thereby providing any beverage brand an "eye-catching" point-of-sale advertisement.

We invite you to examine the profit potential behind this new and exciting concept in aluminum can recycling.

CONSOLIDATED MARKETING GROUP

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# Truck bodies

*(Continued from page 1)*

ers. Bottle bills are to us like bussing laws are to school manufacturers. As someone concerned about the industry I hate to see it happen but as a manufacturer who produces this kind of equipment it's a panacea."

### route trailers

Paul Bowles, vice president of Mickey Truck Bodies, Inc., echoes Chvala's sentiments in stating, "Many distributors are looking to a larger truck to ease the pressures put on them by those states who have gone into the bottle bill. Yet, you can only go so big with a conventional truck and many are finding route trailers the only answer at this point. This type of body has become very popular in the last 3 to 4 years and, with such action as the bottle bills, will continue to do well in the future."

Chvala noted that problems will increase as those larger markets fall victim to bottle bill legislation. "Michigan was a state that before the bottle bill you had a relatively high returnable market," stated Chvala. "Yet distributors still had to add 20 to 25% to their existing fleets. With a market like New York the demand for beverage bodies will be tremendous. You can only work so many man hours, so many shifts, you just can't duplicate facilities overnight. Unfortunately, there are people who are greedy enough to try and take all the business they can when presented with a situation like this one. Because of this quality is going to deteriorate causing a big problem in the industry."

Compounding this situation, other industry activity has placed added pressure upon the body market. Anheuser Busch and Labatt have entered into an agreement whereby Labatt will brew beer under the Budweiser label in Canada. In an exchange program to keep currencies balanced between the two countries, Labatt's will allow A-B to market wine from their winery in California.

Chvala explained, "They are doing it in a test market now, Labatt's original forecast for sales in Canada was to acquire 2% maybe 3% of the market. But within the first year they have captured 8.5% of the market. A-B, to keep currencies balanced, will have to sell a certain volume of wine to keep things straight." From the perspective of the beverage body industry, A-B's 950 distributors will need additional equipment to handle the territories through this deal.

"If you go on the assumption," stated Chvala, "that each A-B distributor has to buy one truck over and beyond their normal requirement just to be able to reroute their territories and have room to put wine in every route you're talking, conservatively, about 1,000 trucks. When you start throwing those numbers on top of the bottle bill situation, God help the man who does not get his order in early next year."

Though interest rates have slightly declined, the price set on capital spending is still a matter for serious consideration. Today, more than ever, getting the most for your dollar translates into longevity when talking to those considering the purchase of beverage route trucks. The trend from steel to aluminum is a prime indicator of an industry looking to build a long lasting energy efficient product. In 1975, aluminum accounted for only 36.3% of the body market contrasted with 1981's figure of 84.7%. The first quarter of 1982, according to industry experts, shows an increase to 88.8%. These figures demonstrate an escalating trend out to prove steel bodies are synonomous with covered wagons.

Route trailers like Swan's 16 bay Metro (above) and 12 bay Durango are expected to be in great demand in states like New York, where deposit legislation is pending.

As Paul Bowles stated route trailers are truly the way of the future for the beverage body market. Data shows trailers in terms of unit sales for 1975 at only 9.7% dramatically escalating in 1981 to 33.5%. Industry observers see this trend continuing with 1982 first quarter figures coming in at 40.7% sales in terms of units now in route trailers.

### fuel efficiency

Sonny Bowers, marketing service manager for Hackney & Sons, Inc., stated, "The trend is definitely toward lightweight, fuel efficient and aerodynamic styling. In 1976 the industry purchased 4,658 route bodies decreasing in 1981 to 3,016. But in trailers the industry purchased 819, almost doubling in 1981 to 1,509 trailers. So you can see the industry trend toward lighter, larger route trailers."

Striving to light weight beverage bodies beyond aluminum, Swan has done extensive testing with fiberglass reinforced panels (FRP) through Reynolds research/development division. Chvala remarked, "FRP, through testing, actually ends up being far stronger than the steel we used before on our trucks. It is amazing what you can do with it. I feel you are going to see in the next decade alot more use of nonmetallic material in light weighting and redesigning beverage bodies." Chvala noted that his company has also been involved in experimental work with graphite similar to what International Harvest-

*(Continued on page 13)*

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|
| All route bodies | 4658 | 4526 | 4774 | 4361 | 3057 | 3016 |
| All aluminum route bodies | 2115 | 2495 | 3348 | 3128 | 2453 | 2523 |
| All steel route bodies | 2543 | 2031 | 1426 | 1233 | 604 | 493 |
| All trailers | 819 | 1098 | 1766 | 1738 | 1262 | 1509 |
| All aluminum trailers | 379 | 580 | 1350 | 1388 | 1102 | 1306 |
| All steel trailers | 440 | 518 | 416 | 350 | 160 | 203 |
| All units | 5477 | 5624 | 6540 | 6118 | 4338 | 4537 |
| All aluminum units | 2494 | 3075 | 4698 | 4535 | 3467 | 3841 |
| All steel units | 2983 | 2549 | 1842 | 1583 | 771 | 696 |
| Total $ sales | 39,946,445 | 46,454,575 | 65,156,961 | 65,745,829 | 55,234,294 | 64,827,298 |
| Average unit price $ | 7293 | 8260 | 9963 | 10746 | 12733 | 14289 |

## Vision

*(Continued from page 1)*

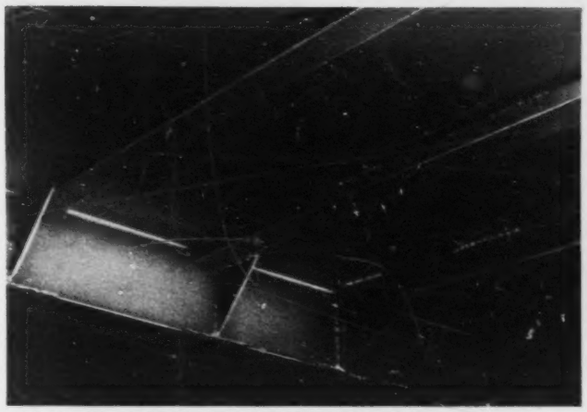
**Beverage Industry** when the new trailer was debuted recently. "We are calling it the 'Vision' because it is the result of our planned program which started as a vision of building better bodies."

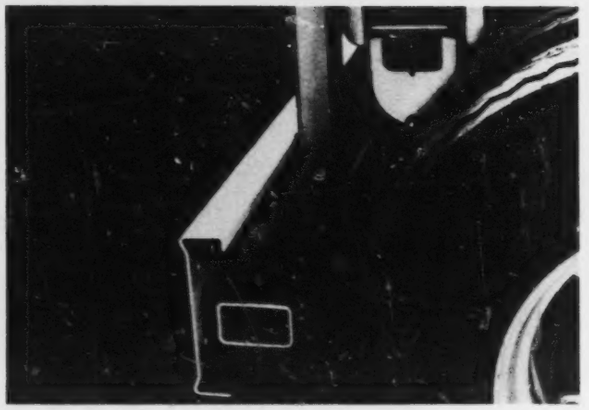
Actual changes in the trailer may not be too apparent to the casual observer. That's because the firm has strengthened those areas which its tests revealed were most susceptible to damage or breaking.

Externally, the new trailer has a more broad shouldered side and rounded top cornerposts to reduce wind resistance. These changes made it possible to make other subtle exterior changes. Front and rear end panels, for example, are mounted flush for leaner, cleaner lines.

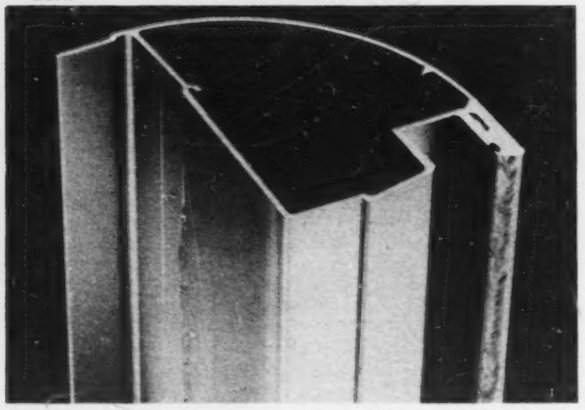
As structural sections, the posts and rails frame up a more rigid structure. And like all extruded sections used on Hackney and Sons' units, the posts are made from 6000 series aluminum alloy.

Although the new units are designed for longer life, one aspect of the design is improved mileage as a result of reduced wind resistance. At presstime, Hackney engineers were still certifying results of the firm's testing programs in this area.





Hackney and Sons has strengthened its Vision Trailers in various different areas: (top left) bay floors have been reinforced with U-channels welded to side rails, A-frame and floor sheet; (top right) bumper has been made an extension of the main frame to soak up impact shocks; (bottom left) X-bracing reinforcement for forward bay walls; (bottom right) cornerpost/top rail assembly has a wider radius section.



Another area where changes have been made is the cantilever. Here the firm has installed reinforcements in the form of twin diagonal braces, x-bracing. These are located in the A-frame area behind each of the forward bays to transmit stress away from this area, minimizing the risks of damage and prolong life.

In addition the skirts have been made double thickness to withstand load forces there. The rear wheel well has also been reinforced with welded strapping.

Since most trailers will flex

*(Continued on page 14)*

Hackney's 1983 Sprint is designed for local delivery and vending.

## Truck bodies

*(Continued from page 6)*

er has accomplished in their field. Though external design changes for the coming years may be minimal, internal changes to lighter frames through metal and nonmetal construction is a goal every manufacturer is striving toward in today's market.

Swan, at the upcoming Interbev show in Atlanta, will introduce a keg handling device that works like a miniature hoist able to pick up 165 lb. kegs and safely set them on the ground. Swan reports this new device will eliminate all safety hazards common to the unloading of kegs from a beverage truck.

Production preparation for this famine to feast situation the beverage body market will undergo is the best way to be ready for the coming tide of buyers. Yet, holding the same high standards of quality must be retained to assure the beverage industry both product and company integrity.

Pictured are: (above) Rock Hill Body's '72 Vintage Steel, painted from photo using imron paint; and (below) the Mickey DS0-all aluminum 14-bay route trailer with Squirt logo.